

Message Text

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ACTION OPIC-06

INFO OCT-01 ISO-00 AF-06 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 EUR-12 SSO-00 INRE-00

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FM AMEMBASSY KIGALI

TO SECSTATE WASHDC IMMEDIATE 3712

USEC BRUSSELS IMMEDIATE 1124

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: RWANDA TEA PROJECT

REF: A) STATE 233674 (NOTAL) B) KIGALI 598 (NOTAL)

1. BEGIN SUMMARY A- GOR EXTENSION RWANDA TEA PROJECT CONTRACT DEADLINE IN JEOPARDY. FED REPORTEDLY CONTINUING SEEK SCUTTLE PROJECT BY THREATENING CUT-OFF FUTURE FED FUNDS FOR RWANDAN TEA DEVELOPMENT. EMB PURSUING REPRESENTATIONS. ACTION REQUESTED: CERTAIN IFC/OPIC COMMENTS AND CLARIFICATION FED POSITION END SUMMARY.

2. CURRENT STATUS - AMBASSADOR'S DISCUSSIONS WITH OCIR/T DIRGEN RIBANJE AND OTHER GOR OFFICIALS INDICATE EXTENSION CONTRACT DEADLINE FOR RWANDAN TEA PROJECT (AT CYOHOHA WITH US INVESTOR WERTHEIM) IN SERIOUS DOUBT. OSTENSIBLE REASON IS THAT CONTINUING DELAYS RESUMABLY TRACEABLE LENDER PROCEDURES OVER PAST MONTHS ARE IMPOSING CURRENT AND INCREASING FINANCIAL BURDEN ON OCIR/T BECAUSE OF UNPROFITABLE PROCESSING OF TEA CURRENTLY GROWN CYOHOHA REGION. GOR IRE ALSO BEING FANNED IN BACKGROUND BY RESIDENT RED ADVISER WHO REPORTEDLY TELLING

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OCIR/T (A) IF CDC PROJECT HAD BEEN APPROVED, PAST EIGHT MONTHS

WOULD NOT HAVE BEEN "WASTED", (B) CDC/FED STILL WILLING PROCEED CYOHOHA PROJECT, AND (C) IF WERTHEIM AGREEMENT FINALIZED, FED WILL CEASE ALL SUPPORT FOR FURTHER DEVELOPMENT RWANDAN TEA SECTOR.

3. FED POSITION - IN REGARD REF POSITION, EMB RECOMMENDS ADDRESSEES REVIEW STATE 107635 OF MAY 23, 1974, STATE 115689 OF JUNE 4, 1974 AND EC BRUSSELS 3220 OF MAY 21, 1974. THESE REFS NOTE THAT FED (VISSER) ADOPTED NEGATIVE ATTITUDE TOWARD WERTHEIM PROJECT IN 1974 CONVERSATIONS BRUSSELS AND WASHINGTON BECAUSE OF CONCERN OVER DEGREE WERTHEIM CONTROL TEA MARKETING. DEPT ATTEMPTED INDICATE VISSER OBJECTIONS MISPLACED, BUT HE STATED FED WOULD ONLY HAVE NO OBJECTION IF WERTHEIM MARKETING LIMITED TO "CYOHOHA AND IMMEDIATE REGION". IN CONVERSATIONS THIS WEEK, AMB HAS TAKEN LINE THAT WERTHEIM AND LENDERS HAVE BEEN RESPONSIVE FED CONCERN SINCE (A) MARKETING WOULD COVER ONLY PFUNDA, MULINDI AND CYOHOHA AND EXCLUDE SHAGASHA AND GISAKURA TEAS, (B) MARKETING PFUNDA AND MULINDI TEAS BY SALES COMPANY WILL ACCELERATE REINVESTMENT, AND (C) OPIC HAS ALREADY SPECIFIED NEED FOR "ARMS LENGTH" CONTRACTS TO OBVIATE ANY COLLUSION BETWEEN TEA IMPORTERS INC. AND RWANDA PROJECT. WE ALSO RECALL THAT WERTHEIM HAS STATED ON OCCASION HIS WILLINGNESS RESTRICT MARKETING TO CYOHOHA BUT WE UNCERTAIN LENDER (OPIC AND IFC) ATTITUDES THIS POINT. AS RESULT EMB INQUIRIES, OCIR/T FINANCE CTTEE MET OCT 16 AND DISCUSSED MATTER BUT AGREED ONLY TO BUCK DECISION ON PROLONGATION TO GOR. (NOTE: OCIR/T PROJECTS AND EVEN SALARIES HEAVILY FINANCED BY FED). AMB MAKING FURTHER APPOINTMENTS WITH KEY GOR OFFICIALS PRIOR EXPIRATION CONTRACT DEADLINE OCT 24. SITUATION COMPLICATED BY FACT EMB UNCERTAIN IF STATEMENT BY FED ADVISER CONCERNING FUTURE RED CUT-OFF ACTUALLY REPRESENTS FED VIEW.

4. IFC MEMBERSHIP - EMB UNDERSTANDS RWANDAN IFC MEMBERSHIP STILL PROCEEDING WITH GOR DELAY CAUSED BY CONFUSION OVER DOCUMENTATION REQUIREMENTS AND FACT GOR SINGLE PRINTING PLANT (WHICH PUBLISHES OFFICIAL GAZETTE) HAS MECHANICAL PROBLEMS. GOR PROCEEDING ON ASSUMPTION IFC MEMBERSHIP DESIRABLE FOR PROSPECT FUTURE PROJECTS REGARDLESS OUTCOME GYOHHA-RUKERI TEA PROJECT.
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5. COMMENT: EMB NEED NOT STRESS INTENSE DISAPPOINTMENT BY ALL PROPONENTS SHOULD THIS PROJECT FAIL BEARING IN MIND IT WOULD (A) BE FIRST PRIVATE AMERICAN FOREIGN INVESTMENT PROJECT IN RWANDA AND (B) EXTENSIVE EFFORTS, GOOD FAITH AND FUNDS EXPENDED.

6. ACTION REQUESTED

(A) EMB WOULD APPRECIATE DEPT/OPIC/IFC CONFIRMATION EMB
POSITION OUTLINED PARA 2 PLUS ANY OTHER APPROPRIATE COMMENTS.
(B) IF DEPT CONCURS, EMB SUGGESTS EC BRUSSELS SEEK
CLARIFY FED POSITION AND, IF NECESSARY ALLEVIATE VISSER
CONCERN. IF FED NOT OPPOSED TO PROJECT, VISSER SHOULD IMMEDIATELY
INFORM FED KIGALI AND INSTRUCT IT TO SO INFORM GOR
AND OCIR/T. FYI EMB DOUBTS THAT FED DECISION ON TEA SECTOR
AID CUT-OFF COULD BE MAINTAINED AS GOR WOULD CERTAINLY REACT
SHARPLY END FYI.

7. CONTENTS THIS CABLE SHOULD BE PASSED OPIC, IFC AND
WERTHEIM OF TEA IMPORTERS INC., WESTPORT, CONN. FRITTS

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